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J- **REAGAN ADMINISTRATION DENIES LEAKING ACCUSATIONS AGAINST PANAMANIAN GENERAL**
BY GENE KRAMER
WASHINGTON

The Reagan administration told Congress Thursday that Panama is providing useful cooperation against drug trafficking and money laundering and sought to disassociate itself from a published report alleging personal involvement by the chief of Panamanian armed forces in such activities.

James H. Michel, deputy assistant secretary of state for Inter-American Affairs, denied suggestions that the administration had deliberately leaked accusations against Panamanian General Manuel Antonio Noriega which appeared last week in The New York Times and were attributed to U.S. government sources.

"No one that we know of, no one with the authority of the U.S. government" provided the information to the newspaper, Michel told the House Select Committee on Narcotics Abuse and Control.

Committee chairman Charles B. Rangel, D-N.Y., suggested that the accusations against Noriega, following public charges by the U.S. Commissioner of Customs William Von Rabb of corruption in Mexico, represented a "not well thought out strategy" against countries opposing U.S. policy in Central America.

P- Talking to reporters after four hours of closed and public testimony to his committee, Rangel said the Central Intelligence Agency, during the secret hearing, had "shed no light" on the allegations against Noriega.

At a later hearing of the House Task Force on International Narcotics Control, Rep. Lawrence Smith, D-Fla., the chairman, accused the administration of trying to cover up, adding, "We're seriously concerned that the government of Panama is controlled by a man who makes a considerable amount of money dealing in these activities." At the task force hearing, Panama's Embassy circulated copies of a May 8 letter to Noriega from U.S. Drug Enforcement Administrator John C. Lawn expressing "my deep appreciation for the vigorous anti-drug trafficking policy that you have adopted, which is reflected in the numerous expulsions from Panama of accused traffickers, the large seizures of cocaine ... and the eradication of marijuana cultivations." Last week's New York Times story said the Panamanian general was involved in passing secrets to Cuba, gun-running to Colombia, trafficking in narcotics and laundering money for his personal gain.

On Wednesday, The New York Times published an interview with Noriega in which he denied all charges of involvement in criminal activities.

Rangel said he concluded from intelligence presented to the closed session of the committee that "there is no reason to believe that whatever problem they (the administration) see will be improved by replacing Noriega." John Cusack, chief of the committee's staff, told reporters that the secret testimony "did not confirm or deny" the Times' report.

Michel and other administration witnesses told the House panel that the Panamanian government has eradicated through spraying about half of its domestic marijuana crop.

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Michel said Panama "has been one of the most forthcoming nations in the interdiction of vessels and ships suspected by our Coast Guard of carrying narcotics in their cargo." He said the United States and Panama are preparing to resume negotiations on a treaty of mutual legal assistance to curb laundering of drug profits through the Panamanian banking system.

David D. Queen, deputy assistant secretary of the Treasury, said that Panama has become a haven for laundering drug profits because of its bank secrecy laws and because Panama uses the U.S. dollar as its own currency.

Panama shipped \$3.5 billion cash, mostly in small banknotes, to Federal Reserve Banks in New York and Miami from 1980 to 1984 and only \$500 million in replacement cash was shipped to Panama, he said.

The outward flow has eased somewhat but is still very high, he said, adding that "much of this money is from illegal activities."